

TO: Mayor and Members of City Council

May 3, 2017

FROM: Harry Black, City Manager

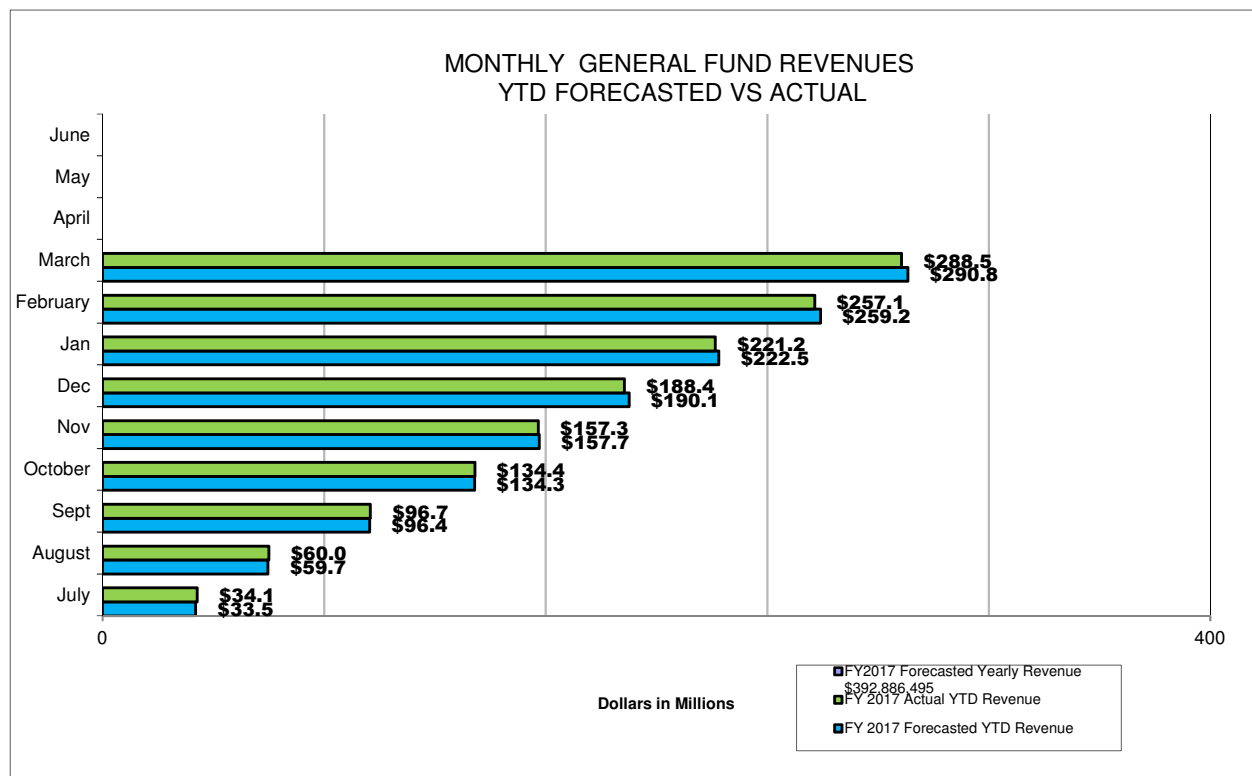
SUBJECT: Department of Finance Reports for the Month Ended March 31, 2017

**March 2017
MONTHLY FINANCIAL REPORTS**

The following report provides an update on the City of Cincinnati's financial condition as of the month ending March 31, 2017. Variances are based on current year estimates and not prior year activity.

A more detailed explanation of revenues and expenditures is attached for review, including reports comparing current year actual revenue vs. forecasted revenue and prior year actual revenue vs. current year actual revenue. Both of those reports are presented on a monthly and year to date basis.

The chart below portrays the performance of actual revenue collected against the forecasted revenue collected through March 31, 2017, and shows that actual revenues of \$288.5 million are below forecasted revenues of \$290.8 million by \$2.3 million.



The major revenue components of the General Fund are listed in the table below. This table highlights the year to date variance (favorable and unfavorable) in General Fund revenue collections as compared to forecasted revenue collections. Each major category that differs significantly from forecasted collections will be discussed in further detail.

| GENERAL FUND REVENUE SOURCES | | |
|-------------------------------------|-------------------------------|-----------------------------------|
| | FAVORABLE VARIANCE | (UNFAVORABLE) VARIANCE |
| General Property | \$ 10,910 | |
| City Income | | \$ (5,670,985) |
| Admissions Taxes | \$ 409,722 | |
| Licenses & Permits | \$ 1,614,294 | |
| Fines, Forfeitures, & Penalties | | \$ (440,203) |
| Investment Income | \$ 591,375 | |
| Local Government | | \$ (305,334) |
| Police | \$ 347,048 | |
| Fire | \$ 355,884 | |
| Casino | | \$ (343,916) |
| Parking Meter | \$ 30 | |
| Buildings and Inspections | | \$ (34,208) |
| Other | \$ 1,189,829 | |
| | <hr/> | |
| | \$ 4,519,092 | \$ (6,794,646) |
| Difference | \$ (2,275,554) | |

General Fund (unfavorable variance) is \$2.3 million below the amount forecasted thru March in the FY2017 budget. This represents three quarters of the fiscal year. What follows is an explanation of significant variances of individual General Fund revenue components.

Income Taxes (unfavorable variance) are \$5.7 million or 2.77% below the current fiscal year forecast. Employer withholdings are slightly behind last year's collections by 0.35% and business net income taxes are down by 36.4% as compared to the prior year without adjusting for the one time change in tax remittances. When these influences are factored in from last year, which started in January 2016 (see footnote B of the attached Report 1), overall income taxes are below last year by 1.00%. Employer withholdings account for 91% of the income tax. For March, collections met the target after seven consecutive months of missing the monthly projection. The forecast has a growth factor of 2.68% embedded for this fiscal year.

Net Profit vs Withholding



License & Permits (favorable variance) is up \$1.6 million. We continue to see stronger than projected revenues for licenses and permits. Several large projects that occurred in the past several months continue to contribute to the strong performance. We continue to meet with the department officials to ascertain adjusted revenue projections going forward. Ultimately these funds are primarily derived from permit issuances and those funds are to be associated only with the expenses associated with the administration of that specific office.

Fire (favorable variance) is up \$356K. This category is trending in a positive direction. We continue to anticipate EMS revenue to be on target for the fiscal year. FY2018 revenue projections incorporate the current trends.

Investment Income (favorable variance) is up \$591K. The positive variance is the result of timing of interest payments due to securities being called prior to maturity. We are currently evaluating whether this positive trend will continue through the end of the fiscal year. Overall the expectation is the interest rates will rise slightly over the next several months.

Casino Taxes (unfavorable variance) is down \$344K. Fiscal Year 2017's estimates were revised down to \$8.0 million from our \$8.6 million in FY2016. Payments are received quarterly from the State of Ohio. The City received its third quarterly payment. Based on this, casino revenues are likely to end the fiscal year below estimates.

Police (favorable variance) is up \$347K. This variance continues to drop as collections of past due revenues associated with police officer details are applied to already incurred payroll expenses. Past police officer details continue to be reconciled with associated expenses. As these reconciliations occurred in March the effect was the nearly \$500k reduction in this category from last month's reporting.

Buildings and Inspections (unfavorable variance) is down \$34K. This revenue category is slightly off our projections due to the fact that several new programs that were included in our forecasts have yet to be implemented. However the existing programs are all exceeding their projections.

Other (favorable variance) is up \$1.2 million. This variance while dropping by \$200k this month can still be attributed in large part to revenues collected from Police details this fiscal year that are associated with prior year expenses. At this time it is anticipated that most of these prior year collections have occurred and are reflected in the positive variance. We expect this to remain fairly stable for the remainder of the fiscal year.

Restricted Funds:

Water Works Fund (favorable variance) is up \$2.0 million. With the passage of a water rate increase and a corresponding adjustment to the revenue projection in February, GCWW revenues were and still are very close to the target. This \$2.0 million variance is due to the final settlement of the prior years joint utility ID bill being received in March from the MSD.

Income Tax - Transit (unfavorable variance) is down \$1.1 million. Revenues are below target by 2.65% this year. This category is directly tied to the income tax and it's situation as we discussed earlier in this report.

Municipal Golf (favorable variance) is up \$397K. Revenues are above projections by 12%. We will continue to follow this category as the golf season continues this spring. When compared to last year at this point the revenues remain off by 24%.

Health Services (unfavorable variance) is down \$791K. The timing of deposits continues to impact the variance. When revenue is compared to last year this is only 2.3% below this same time last year. The Health Department believes it will meet the revenue projections.

Submitted herewith are the following Department of Finance reports:

1. Comparative Statement of Revenue and Expenditures (Actual, Forecast and Prior Year) as of March 31, 2017.
2. Graph as of March 31, 2017 presenting the General Fund's Revenue, Expenditures and Encumbrances.
3. February 28, 2017 monthly audit report of the accounts of the City Treasurer and the City Treasurer's Monthly Cash Reconciliation Report of February 28, 2017.
4. Statement of Balances Analysis as of March 31, 2017.
5. Statement of Balances in the various funds as of March 31, 2017.

By approval of this report, City Council appropriates the revenues received in the various restricted funds on the attached Statement of Balances and as stated in greater detail on the records maintained by the Department of Finance, Division of Accounts & Audits. Such revenues are to be expended in accordance with the purposes for which the funds were established.

c: Reginald Zeno, Director of Finance